Sectt. II-27—50,006—23-11-42.

Dev-b (1943) Department.

SERIES. Panel

G.O. No. 2671

Dated 20 X 43
20-X-43

[Despatch Abstract.]

Industries - Sericulture - Govt. Silk Filature Factory, Kollegal - Preliminary training scheme for staff- debit of expenditure-orders in G.O.No. 136 Dev. dated 6.2.43-modified.

No. SY/TX-62(106)
GOVERNMENT OF INDIA
DEPARTMENT OF SUPPLY
DIRECTORATE GENERAL OF SUPPLY
TEXTILES DIRECTORATE
New Delhi, the 4th March 1943.

To

The Secretary to the Govt.of Madras,
Development Dept.
Madras.

4111, 8/4/43

Sub:- Silk Filature Expansion Scheme- Kollegal-
Preliminary Training Scheme for the
Subordinate Supervisory Staff.

....

p 9 cf (N)

Sir,

I am directed to refer to para 4 of G.O. No. Ms. 136 dated 6th Feb. 1943 and to point out that the expenditure incurred for the preliminary training of the subordinate supervisory staff for Kollegal Silk Filatures has to be charged as an item of "Revenue Expenditure" in the accounts of the Silk Filatures, and Not as an item of "Capital Expenditure" as notified therein. In this connection I am to state that the Central Govt.'s understanding with His Majesty's Govt. is that the latter will only pay for the capital cost involved in the actual construction of the Filature. I am therefore to request that the G.O. may be amended accordingly.

I am, etc.,

(M.R. Bhide)
Deputy Secretary to the Govt. of India.

INSPECTION

Name of Inspectorate Bombay Inspection Circle

Inspection Certificate No. 11242 . 15 dated

Order No. Sy x1/13461/Tx 755 dated 25-6-41

against Supply Department indent No Ix755 (D.G.D.) 39

Contractor's name and address M/s J.D. Sassoon

Manufacturer's name (in the case of stores inspected at the manufacturer's works on behalf of the contractor).

Name of Indentor D.G.S. New Delhi

Item No. in the order.	Article.	Unit.	Due for tender as per contract.
	Twill Khaki 28" in lieu of 20/3748 Yard 38/4248 Yard	Yard	16700048 By 31st July 1941

Dev. Dept

3

Memo No 405-2 Sc/43-1 d 19.3.43

Sub: War - Supplies - Silk - Govt Silk Khanna Factory - Preliminary training scheme

Ref G.O. No 136 Dev. d 6.2.43

Copy of letter No Sy/Tx-62 (106) of the Dept of Supply, Govt of India dated the 4th march 1943 is communicated to the D I & C. The D I & C is requested to report urgently what the anticipated annual output of the Govt Silk Khanna factory is and whether with reference to the maximum price of Silk now fixed at Rs 15/2 per lb this

4

Govt. Stand to lose, in working the factory, if the suggestions of the Govt. of India contained in their letter enclosed is adopted.

18343 18/3/43

Vox 17343 17343

I q.

To the D[illegible]

E. R. 3.4.43
" 10.4.43
Despd 25-4-43

Ind 24/8

C.F. 22.

Industries & Commerce Department

Received ____ Registered ____

From (Name) A. Khaleeli Esq., I.C.S.,

Designation Director of Industries and Commerce.

Station MADRAS.

To

The Additional Secretary to Government, Development Dept.,

MADRAS.

ADDITIONAL UNDER SECRETARY TO GOVERNMENT 27 APR 1943 DEVELOPMENT DEPARTMENT

Enclosures: 1. G.O.

No. "2418-D/42 dated 26th April 1943.

Sir,

Subject:- War - Supplies - Silk - Government Silk Filatures, Kollegal

Reference:- G.O.Nos. 378 Development dated 3rd October 1942, 136 Development dated 6th February 1943, and Memorandum No. 4052 SC/43-1 dated 19th March 1943.

I have the honour to invite a reference to the G.O. first cited above passing orders on the establishment of Government Silk Filatures at Kollegal. Government of Madras have agreed to work the Filatures on behalf of the Government of India subject to the conditions specified in the annexure to the G.O. No reference has been made in the agreement between the Governments of India and Madras to the need for training of the staff and labour, nor has any provision been made for the funds required for this purpose. In the G.O. secondly cited above, Government have, in sanctioning a training scheme, directed that the expenditure on training of staff and labour required for the Government Silk Filatures be debited to the capital cost of the Filatures. This has been objected to by the Government of India on the ground that His Majesty's Government have agreed to pay only the capital cost involved in the construction of the Filatures. Government suggest that the expenditure on training be charged to Revenue expenditure. Whilst Government of India, as regards the arrangements between His Majesty's Government and themselves is correct, their suggestion to debit the cost of training cannot be accepted. A reference to the detailed provisions contained in item I (ix) of the annexure to the G.O. first cited above fixing the ceiling price for reeled silk shows it was never intended to debit the cost of training to revenue expenditure. This consideration apart, it is not now possible to produce silk at Rs.15/2/- per lb., the cost contemplated at the time the agreement was made, as the figures given below show:

1.	Estimated output of reeled silk	1,50,000 lb.	Item I (i) of the annexure.
2.	expenditure	Rs.19,13,800	page 3 of Director's letter to Govt.No.777 D/42 dated 5-1-1943.
3.	Interest charges at 4½ % on 2.	" 86,121	Reserve Bank rate.
4.	Half expenditure on propogation and supply of disease free seed as then contemplated	" 37,500	Para. 6 of Govt.'s letter to D.D.Supply No.46-M SC/42-7 dated 20-7-42
5.	Total	Rs. 20,37,421	
6.	Cost per lb. of reeled silk $\frac{2037421}{150000}$	13--9--4.	
7.	Cost of training has been estimated at	Rs. 41,300.	

8. Cost per pound of silk produced on account of the total expenditure on training $\frac{41,300}{150000}$ = Rs. 0--4--5.

9. Cost per pound of reeled silk (items 6 + 8) = Rs. 13-13-9.

To this must be added the increase that has taken place in the cost of green cocoons. In all calculations in the past it has been assumed that green cocoons would be available at 10 annas per lb. or Rs.15-10-0 per maund. To-day a maund of green cocoons costs anything between Rs.40 and Rs.50. In other words, the extra cost of raw material required for 1 lb. of reeled silk is Rs. $\frac{(46\text{-}14\text{-}0 - 15\text{-}10\text{-}0)}{25} \times 18$ = Rs.22-8-0.

If this be added to the cost already arrived at in the statement given above, the cost of producing 1 lb. of reeled silk to-day is Rs. 13-13-9 + Rs. 22-8-0 = Rs.36-5-9 as against the ceiling sale price of Rs.15-2-0 fixed in the agreement.

This clearly brings out the extent to which the arrangements made in October 1942 have become out of date. In this connexion I would invite Government's attention to the orders issued a few weeks ago by the Government of His Highness the Maharajh of Mysore in connexion with the Silk Filature Expansion Scheme undertaken by that State at the instance of the Government of India. A copy of G.O.No.D.5309-74-Seri.143-41-10 dated 17th February 1943 is enclosed for reference and return. I request a comparison of the provisions of the agreement entered into between the Madras Government and the Government of India and that entered into between the Government of Mysore and the Government of India. I detail a few of the important differences between the two sets of agreements:

(1) the agreement with Mysore is for a period of three years certain (paragraph 2 of schedule on page 4 of the Mysore G.O. referred to above) whereas the agreement with Madras is subject to the standard 'break clause' with modifications as regards notice of termination (paragraph 1 (v) of annexure to G.O.No.Ms.(M) 378 Development dated 3rd October 1942).

(2) In the Mysore agreement provision (paragraph 3 of the schedule) is made for the entire cost of training the labour and supervisory staff necessary for working the Government filature being met by the Government of India. There is no such provision in the Madras agreement.

(3) Government of India have agreed also to bear the cost of the special agency which may be set up by Mysore for, among other purposes, stimulating production of cocoons, controlling the price of cocoons, also to meet the additional expenditure which may be incurred in connexion with the expansion scheme (paragraph 4 of the schedule). In the case of Madras, Government of India have agreed to bear only half the extra cost incurred on the propagation and supply of disease free seeds (item I (viii) of the annexure to the Madras G.O.)

(4) Government of Mysore have agreed, like Madras, to take steps to effectively control the price of green cocoons at 10 annas a lb. but with suitable price adjustment in relation to the variation in the cost of living index from the basic figure in November 1941 (paragraph 5 of the schedule) -- There is no such proviso in the agreement with Madras -- vide item I (vii) of the annexure.

(5) In the agreement with Madras it is stipulated that the cost of production shall not exceed Rs.15-2-0 per lb. of 'D' grade silk subject, however, to revision every six months -- vide items I (ix) and (x) of the annexure. There is no such provision in the agreement with Mysore. On the other hand in the agreement with Mysore, Government have agreed to buy silk at the rates calculated as follows whether such silk has been produced at the Government

Filatures or private Filatures:

"The Government of India will buy the silk produced in the filatures at rates as specified below:--

(1) The basic price will be fixed per lb. of 28/32 denier 'D' grade silk as elucidated in greater detail below.

The basic price of a lb. of 28/32 denier 'D'grade silk will be fixed as follows:-

(a) Cost of 18 lbs. of green cocoons (superior quality) at 10 annas per lb., plus suitable price adjustment in relation to the variation in the cost of living index (referred to in Section I (vi) above);

plus (b) Manufacturing charges at a flat rate of Rs.3 per lb., inclusive of dearness allowance and war risks insurance premia at the present level, and subject to adjustment upwards or downwards in relation to any variation in the rate of dearness allowance or war risks insurance premia, provided however (1) that any increase in the rate of dearness allowance shall be subject to the approval of the Government of Mysore, and (2) that the flat rate shall not be less than Rs.2/8 per lb.;

plus (c) Profit at a fixed rate of Rs.1-6-0 per lb.

Until the control is effected, the basic price per lb. for 28/32 denier 'D' grade silk will be suitably increased so as to allow for the difference between the basic price fixed for a lb. of green cocoons and the actual price paid. That is, the price of silk will be recomputed on the same basis as indicated above, but taking the cost of cocoons at the actual prices paid instead of at the basic price of cocoons at which it is proposed to effect control.

8

(2) For silk of finer counts ranging between 20 and 28 denier, the price adjustment will be at the rate of one anna per lb. per denier with reference to the basic price referred to in (1) above.

(3) The 'sub-standard' silk will be paid for at prices to be fixed by the Government of Mysore in connection with the scheme of cocoon price control.

4. These prices will include ordinary packing for transport in India delivery being given at the Silk Testing and Conditioning House. Packing charges for export outside India will be paid extra by the Government of India."

That the Mysore agreement is an advance over the Madras agreement admits of little doubt. I suggest that the Madras agreement be brought into line with the Mysore agreement. In any case I suggest that Government of India be asked to bear the entire cost of training staff and labour for the Government Silk Filatures at Kollegal just as they have agreed to do in respect of the Government Silk Filatures at Kankannalli, Mysore State.

Director of Industries and Commerce.

A.N.-26-4.

Dev. Dept

Letter No 4052 SY/43-2 d 17.5.43

To The Secretary to the Govt of India,
Dept of Supply, New Delhi

Sir,

Subject: Industries – Sericulture – Silk Reeling expansion Scheme – Govt Silk Reeling Factory, Kollegal – Preliminary training for Subordinate Supervisory Staff

In reply to Mr Bhide's letter No SY/Tx 162(106) d. 4.3.43 on the subject mentioned above, I am directed to say that the Government of Madras are unable to accept the suggestion that the cost of the preliminary training scheme should be debited to revenue expenditure. With reference to sub para ii (a) of para 1 of letter No SY/Tx 162(106) d 4.8.1942 from the Govt of India only the direct expenditure on the Supervisory establishment etc can be included in the cost of production of Silk and not expenditure incurred prior to the actual commencement of production. The Govt of Madras consider that the expenditure on the preliminary training for the subordinate supervisory staff and labour is an item which should be kept distinct as an item of capital expenditure incurred for securing a trained

Staff, in an area where facilities for such training have been non existent in the past, and where in the absence of such facilities, without which efficient production cannot be ensured. They have had occasion recently to peruse the Kind of agreement in the Port of Mysore and the Port of India regarding the working of a Silk Filatures at Kankanahalli in Mysore State and it was found that the Govt of India had agreed, on behalf of His Majesty's Government, to bear the entire cost of training the labour and supervisory Staffs necessary for working the Port Filatures at Kankanahalli in connection with the expansion of production of Silk for war purposes. I am to suggest that there are no special circumstances justifying the treatment of the same item of expenditure in a different manner in the Madras province in connection with the Silk expansion scheme of the Govt of India. and to express the hope that the Govt of India will see their way to accept the expenditure as the preliminary training scheme for the Staff of the Port Silk Filatures at Kollegal also as an item of Capital expenditure recoverable ultimately from H.M. Govt in the usual.

(P) (Enclosed)

(Q) K-n-i

an identical instance of 1 case of 1948

Copy to DTSe.

Dated 3rd/1945

C 8/5/42 S. 3/5/42

Dev. Dept

8/9/16

9/9/16 Letter No 4052 D/43-3 d 18.6.43

To The Secy to the Govt of India, Dept of Supply, New Delhi.

w/ltr 21/6

Sir, I am directed to refer to the subject Industries - Servicing ... S.E. Khan Expansion Scheme - Govt Silk Khan Factory, Kollegal - Preliminary training for subordinate supervising staff - Debit of expenditure

I am directed to invite pp 9-10 of. a reference to my letter No 4052 D/43-2 dated 17.5.43 on the subject mentioned above and to enquire when a reply may be expected

17.6.43 DS 17/6/43.

18/6/43.

Ext 30/21/7

Dev. Dept

Letter No 4052 D1/43-4 d 21.7.43

To The Secy to the Govt of India,
Dept of Supply, New Delhi.

Sir, Sub: Industries - Sericulture - Silk Filature
Expansion Scheme - Govt Silk Filature Factory,
Kollegal - Preliminary training scheme. Debit of
expenditure.

Ref. My letter No 4052 D1/43-2 d 17.5.43 and No 4052 D1/43-3 d 18.6.43.

I am directed to enquire when a reply to the letters cited may be expected.

(4)

Yours

(Letter to issue in the name of Secy)

19.7.43 20.7.43

pp 9-10 ante

p 11 ante

pp 9-11 ante

(4) A2 issued
Observed after discussion at Delhi that Govt of India would agree to the proposal at Rs 9-10 lakhs

Dev Dept I/3

20/8/43

Letter No 4052 Sc/43-2 d 17.8.43

To The Secretary to the Govt of India,
Dept of Supply, New Delhi.

Sir Sub: Industries - Sericulture - Silk Khadi Expansion Scheme - Govt Silk Khadi Factory, Kollegal - Preliminary training for subordinate staff - Debit of expenditure

Ref Ref letter No 4052 Sc/43-2 d 17.8.43 ~~No 4052 Sc~~. I am directed to

pp 9-10 of invite a reference to the letter cited and to
pp 1-2 above the reminders therein d 18.6.43 and 21.7.43 and to enquire when a reply may be

4/4

-expected

16.843 16843

4 of 8

1718/22

from Seen

orginal with 15239 DT/43

Copy of telegram dated 9-9-1943 from the Government of India, Department of Supply, Directorate General of Supply, Textiles Directorate, Tar Delhi, to the Secretary to Government, Development Department, Madras.

A | Madras silk cocoon control scheme and question of debit of expenditure of preliminary training for subordinate staff and question of erection of coolie quarters and other matters are under consideration stop further communications will follow earliest possible stop addressed Levment Madras repeated Consumras Madras. |

Tps.

Controller of supplies

This file is concerned with A above in the ...

Government of Madras

PUBLIC (SERVICES) DEPARTMENT

G.O. No. 2124, 2nd December 1939

Business Rules and Secretariat Instructions—Schedule to Business Rules—Amended.

Order—No. 2124, Public (Services), dated 2nd December 1939.

In exercise of the powers conferred by sub-sections (3) and (4) of section 59 of the Government of India Act, 1935, His Excellency the Governor of Madras is hereby pleased to make the following amendments to the schedule to the Madras Government Business Rules, namely :—

AMENDMENTS.

In the said schedule—

(1) under the heading " Home Department ", in the list of concurrent subjects, the entry " Persons subject to preventive detention under Federal authority " shall be omitted ; and

(2) under the heading " Chief Secretariat (Public Department) ", in the list of concurrent subjects, after the entry " Periodicals, newspapers, books and printing presses—Control of ", the following entry shall be inserted, namely :—

" Persons subjected to preventive detention under Federal authority."

(By order of His Excellency the Governor)

D. N. STRATHIE,
Chief Secretary.

To the Home Department.
,, Public Department.
,, other departments of the Secretariat (all sections).
,, Secretary to His Excellency the Governor.
,, Secretary to the Madras Legislature.
,, Public (Library) Department.
,, Superintendent, Government Press, for issuing correction slip to the Madras Government Business Rules and Secretariat Instructions.

Dev no
M 24/9/43

No. WII-54(62),
Government of India,
DEPARTMENT OF SUPPLY,
(Main Secretariat),
New Delhi, the 20th September, 1943.

29640

To

The Secretary to the Government of Madras,
Fort St. George, Madras.

UNDER SECRETARY TO THE GOVERNMENT
24 SEP 1943
ADDITIONAL UNDER SECRETARY TO GOVERNMENT
25 SEP 1943
DEVELOPMENT DEPARTMENT

Subject:- Industries-Sericulture-Silk Filature Extension Scheme-Government Silk Filature Factory Kollegal-Preliminary Training of subordinate Staff-Debit of expenditure.

Sir,

I am directed to refer to your letter No. 4052 Sc/43-3 dated the 17th May 1943 and subsequent reminders and to state that the matter is under active consideration and a reply will be sent to you as soon as a decision is arrived at.

pp 1-10 cf

pp 11-13 cf

To Addl. U.S.
The reply may be awaited till 10.10.43
25/9/43

I have, etc.,

(M. Aslam)
Assistant Secretary to the Government of India.

No. SY/[illegible]-62(106) 19

GOVERNMENT OF INDIA.

DEPARTMENT OF SUPPLY.

DIRECTORATE GENERAL OF SUPPLY.

(Textiles Directorate)

New Delhi the 14th Sept. 1943

ADDITIONAL UNDER SECRETARY TO GOVERNMENT DEVELOPMENT DEPARTMENT 28 SEP 1943 3015

To

The Additional Secretary to Government,
Development Department,
MADRAS.

Sub: Industries - Sericulture - Silk Filature expansion scheme - Government Silk Filature Factory, Kollegal - Preliminary training for Subordinate Supervisory staff.

Sir,

I am to acknowledge the receipt of Mr. Sivasankar's letter No.4052-Sc/43-2 dated the 17th May 1943 on the subject indicated above and to state that the Government of India will bear the entire cost of the preliminary training for the subordinate supervisory staff and labour to be employed in the Kollegal Filatures. They would however prefer to have this item included in the revenue expenditure. In fact it is necessary to do so for purposes of allocating the expenditure between themselves and His Majesty's Government. As the Madras Government will be reimbursed fully the expenditure incurred by them on the

P.T.O.

reeling of silk and as that expenditure is not subject to any ceiling, I am to express the hope that the Madras Government will, on a reconsideration of the matter, agree to the proposal made in this letter, namely, to charge the expenditure as a revenue item.

I am, etc.,

(L.I.. Bhide)
DEPUTY SECRETARY TO
THE GOVERNMENT OF INDIA, SUPPLY.

Dev. Dept

C.J.B
Please issue Docket

Sub: Industries – Sericulture – Govt. Silk Filature Factory, Kollegal
Preliminary training scheme for staff – Debit of
Expenditure – Orders in G.O. No. 136 Dev 8/6.2.43 – Modified

Ref 20.10.43
C no 4052 D/43

Read again: G.O. (MS) No. 136 Dev 8/6.2.43

Read also: From the Govt. of India, (Dept of Supply) New Delhi, Sy/TX-62(106) 8/4-3-43 and 18th Sept '23

Order No 2671 Ms Dev 8/20.10.43

In modification of the orders issued in para 4 of G.O (MS) No. 136 Dev 8/6.2.43, the Govt. direct that the cost of the preliminary training for the Subordinate Supervisory Staff and labour of the Govt Silk Filature Factory, Kollegal be treated as an item of 'Revenue Expenditure' and included in the working expenses of the factory

14/10/43.

Ref 13.10.43 13/10/43

To The D.I.&C
A.G. through Fin
Controller of Supplies, Madras
Govt. of India (Dept of Supply), New Delhi

Copy to S.F 21/x

2 Spare Copies

Government of Madras

FINANCE (PENSION) DEPARTMENT

G.O. No. 204, 3rd April 1939

Civil Service Regulations—Article 4-A—Counting of service for pension of personnel transferred to a service or post to which the Civil Service Regulations apply from a service or post to which they do not apply—Amendment made by the Secretary of State—Recorded.

READ—the following paper:—

Letter from S. A. HASNIE, Esq., Under Secretary to the Government of India, Finance Department, to all Provincial Governments, dated New Delhi, the 28th February 1939, No. F. 11 (13)-R. II/38.

[Counting of service for pension of personnel transferred to a service or post to which the Civil Service Regulations apply from a service or post to which they do not apply.]

I am directed to forward a copy of the correspondence noted in the margin, on the subject indicated above. The Government of *Madras*, etc., will no doubt consider the possibility of adopting similar amendments in respect of services under their rule-making control.

* 1. Letter to the India Office, No. F. 11 (13)-R. II/38, dated 15th September 1938, with enclosure.

* 2. Letter from the India Office, No. F. 4526/38, dated 18th November 1938, with enclosure.

Amendment.

I, Lawrence John Lumley, Marquess of Zetland, one of His Majesty's Principal Secretaries of State, in exercise of the powers conferred upon me by section 247 of the Government of India Act, 1935, hereby make, with the concurrence of my Advisers, the following amendment in the Civil Service Regulations, namely:—

After Article 4 of the said Regulations the following article shall be inserted, namely:—

Article 4-A.—An officer transferred to a service or post to which the pension rules in these Regulations apply, from a Service or post to which they do not apply, becomes subject to the pension rules in these Regulations, provided that it shall be open to him, within six months of the date of transfer or, if he is on leave on that date, within six months of his return from leave, to elect to be governed by the pension rules to which he was subject immediately before the date of transfer. The intention of exercising this option must be specifically declared to the Local Government or the Governor-General in Council as the case may be. The option once exercised shall be final.

Given under my hand this sixteenth day of November 1938.

ZETLAND,
One of His Majesty's Principal Secretaries of State.

Order—No. 204, Finance (Pension), dated 3rd April 1939.

Recorded.

(By order of His Excellency the Governor)

T. N. S. RAGHAVAN,
Deputy Secretary to Government.

To the Departments of the Secretariat (all sections).
" Heads of Departments.
" Accountant-General.

* Not printed.

NOTES

Dev Dept.

Sub: War - Supplies - Silk Khadi Factory at Kollegal - Preliminary training scheme for staff - Debit of Expenditure

Ref: From the Dept of supply, Govt of India No Sy/Tx-62(106) d. 4.3.43.

CNo. 4052 S/43

To Under Secretary.

Please see the letter from the Govt of India at f. 1. cf.

2. The expenditure on the preliminary training scheme was proposed to be debited to the capital expenditure on the factory, for the reason that the factory has not begun production yet and that the working expenses on the factory are to be recovered by this Govt in the shape of cost of Silk supplied to the Govt of India. The Govt of India have also fixed the maximum price of Silk at Rs 15/2 per lb. It seems hardly possible to supply Silk within this limit, if large items of expenditure on preliminary training etc for the staff shall be treated as 'Revenue' Expenditure. In effect, it would result in the Govt being forced to meet such items of expenditure (incurred before actual production), which are in the nature of Revenue expending items, from out of Govt funds without a chance of recovery from the Govt of India. For orders whether the suggestion of the Govt of India will be agreed to.

para 4, p 3 cf (N)

R on f 6 cf (N)

M + I on f 147 cf (M) 9.0 378-11 3-10-43

P on f 147 (144) cf (M)

cf f 1 cf

1 cf

The case may be sent to Finance Dept for remarks.

It seems that we should treat such items of expenditure under 'capital' if we are to have any chance of recovering them from G.I. Fin's remarks may be invited.

Dsc 14.2.43 DPC 15343

Fin Sec may see. A para of U's note dictated

Cy 16343 DS

N | I should like to have a rough idea of what the training scheme is going to cost us. Should the expenditure be treated as an item chargeable to Revenue Expenditure? do we stand to lose at all by treating the maximum possible stipend for Trainees? What is the anticipated annual outgo?

M | 16/2/43

To Under Secretary

N above: Reference is invited to para 3 of G.O. No 136 DW d 6.2.1943. The amount of Rs 14,300/- for payment of stipends is a definite item of expenditure on account of the training scheme. The sum of Rs 27000/- for payment of allowances is contingent upon operational losses in connection with the training and will have to be paid only when the conditions specified in para 2 - p8 of the G.O. will arise. Besides these, the DIG has since proposed that an honorarium of Rs 50/- p.m. should be paid to the instructor in the Kollegal Silk Filatures and the total expenditure on this head for the period of 6 months' training will be Rs 300/-. On the whole, the cost on the training scheme has been estimated at Rs 41,600. All necessary

para 4 (N)

cf para 6 of (N)

Rs 14,300 / Rs 27,000 / Rs 300 / Rs 41,600

Separate sheet to Fin, Dte

O.T.O.

H on p 2 above:

The D I & C may be consulted.

A draft memo to the D I & C is submitted.

C
18343 D.S. 18/3/43

Issued as Memo No 4052-DC/43-1 dt 19-3-43

[From the D I & C No 2418 D/42 d 26 4 43]

To Addl U-S.

This file deals with the suggestion of the p. 1 cf. Govt of India that the expenditure on the preliminary training for the supervisory staff in the Govt Silk Farms (financed by the Govt of U K) at Kollegal be debited to revenue expenditure and not to capital expenditure as in G.O. No 136 Dev. d 6.2.43. The D I & C's remarks on this suggestion are contained in his letter at pp 7-10 cf (N) at pp 5-8 cf. He has suggested that the Govt of India should be asked to bear the entire cost of training the staff and labour as they have done in the case of the Govt Silk Farms at Kankanahalli in the Mysore State. Subject to Comp 8 cf orders, a draft letter to India is submitted for consideration.

2. In his report at pp 5-8 cf, the D I & C has raised the following points also for the consideration of the Govt.

(1) That the ceiling price of Silk now fixed p. 1 - L. cf at Rs 15/2 per lb be revised in consultation with India.

(2) That the terms of agreement between the

Govt of Madras and the Govt of India for working the Govt Silk filatures at Kollegal be brought into line with those in the agreement between Mysore and India.

Item (1) above:

Please see item (ix) in the annexure to the G.O. at (A). The Govt have agreed to sell silk to India at net cost subject to the ceiling price of Rs 157-2 per lb. The production of silk in the new filatures has not commenced yet. The exact cost of production per lb of silk is not yet ascertained with reference to the several items mentioned at A on p 3 of (M). and this Govt do not propose to make a profit out of the concern. In the circumstances, it seems premature to address India on this point before production has commenced and the first consignment of silk is ready for despatch. Item (x) in the annexure at p 3 of (M) contains provision for revision of prices in the light of actual cost. It is submitted that this question be deferred for the present. For orders.

As regards the high prices of cocoons, proposals are separately under consideration to introduce a Silkworm Cocoons Control order for notifying prices of cocoons etc.

Item (2) at p 4 above

A comparison of the two

pp 143-144 cg

(M) & (P) agreement shows that Mysore has gained several advantages over this province in negotiating the transaction. It seems however doubtful whether the Govt of India would agree to a revision in ~~the~~ of the agreement with this Govt which was reached after personal discussions between the representatives of the two Govts and correspondence the D I Dr was present at the discussions and he also agreed to the acceptance of the terms finally offered by India in their letter dated 4.8.1942. It will however be possible for this Govt to get specific items in the agreement suitably modified in the light of actual experience after the factory begins to function. It is therefore for consideration whether India need be addressed on this point at this stage.

pp 143-144 cg (M)

does not seem necessary

As regards the absence of any provision in the agreement regarding the cost of preliminary training scheme for staff and labour, it is submitted that it was thought of by the D I Dr only later, for the agreement was concluded. The debit of the expenditure to capital expenditure recoverable from India was also recommended by the D I Dr only in his subsequent proposal.

X cg pp 1-b cg (N)

R cg pp 1-b cg (N)

The draft letter to India may issue after acceptance by the Finance Dept.

15.4.3

(P.T.O)

cost of reeling will be 41,300. Even if this amount is included in "capital cost" we cannot supply silk at the ceiling rate fixed without serious loss. This amount should be included in "capital cost" because 1) it cannot be included in any of the items mentioned in clause IX of the agreement (p. 35 of 1444 (M)) 2) this expenditure will be incurred mainly before production starts 3) a similar expenditure in Mysore State has not been treated as "Revenue expenditure" 4) cost of producing silk is very high even without it.

D. I & C's proposals to revise the agreement & the ceiling price of silk are premature, for, production has not begun as yet and we cannot say definitely that a ceiling price fixed today will be workable six months hence. It is better to await product

Ad. S.
3/5/43.

The draft letter to India may issue. I agree with the D.I. & C. that the agreement concluded by the Mysore Govt. with India gives Mysore far better terms than the agreement concluded by us. But the fact that another Govt. by more skilful negotiations has succeeded in getting better terms does not by itself justify a request by this Govt. for an amendment of the agreement entered into by them. Should it appear in actual working that we cannot supply silk at or below the ceiling price without serious loss we will be on firmer ground if we apply to India for revision. We may then use the argument that where two contiguous areas are producing silk under identical conditions the terms should not be noticeably more advantageous to the one than the other.

(clause (x) of ... p. 3 ... pro ... to ... ...)

2. As a matter of interest I may mention here that India opposed very strongly the "three year certain" clause in the Mysore agreement when it was put to them and agreed only very reluctantly when the Govt. of Mysore made the acceptance of that clause a condition of participation in the scheme. (I have got

this information from the Sericultural Expert, Mysore, when I was in Mysore (~~the other day~~ what I enjoyed [illegible]). Now that we are committed to the scheme, we cannot take the strong line that Mysore took in their negotiations with India.

3. So far as the present request is concerned we have assumed all along that the expenditure incurred on the preliminary training of labour and the subordinate supervisory staff should be an item of capital expenditure. I think that our request is very reasonable. We should press it.

Dir(Ag)-4852-01-2
4-5-43

Finance may see before O/R
4/5/43

Dir
Finance (Accts.B)

ASST. SECRETARY TO GOVT. OF INDIA
5 MAY 1943
FINANCE DEPARTMENT

Please see notes from p. 3 ante.

Fin. 11818. The draft letter to the Govt of India may be accepted.

7.5.43

DO 6.5.43

The letter of the D of I.C. indicates that, in view of the rise in prices, silk cannot now be produced at the "ceiling price" under our agreement except at a loss. I suggest that Dept consider whether we should not now ask for the ceiling price to be waived or raised & the agreement revised on the lines of the Mysore agreement, as we obviously cannot be expected to produce at a loss & it was made clear previously that we were not prepared to do so.

DSW
8.5.43 Desk

(See Z below) X

Fin no. 11818 Accts B/43
8-5-43.

Dev. Dept

ADDITIONAL UNDER SECRETARY TO GOVT. OF INDIA
9858
10 MAY 1943
DEVELOPMENT DEPARTMENT

To Addl U.S.

Finance Secy's note at X above: Reference is invited also to Addl Secy's note in the margin at p 6 of/c in the l.f. below. The question of revision of the price of silk may be taken up with Govts separately for it

PTO.

W 6528 Sc

For orders whether the draft letter to India [regarding debit of expenditure on preliminary training scheme for supervising staff of the Dilawes] may now issue]

NDM 11.5.43

12/5/43. Ad. S.

The draft letter to India is very cautiously worded — many issues.

AHS/A

In my note at p. 6 above I suggested that we should offer to help India & revise the agreement on the lines of the Mysore Letter agreement. On re-consideration, I suggest that we should get the agreement more advantageous (We can suggest it to India's proposals) to Mysore clause at 'A' on p. 1 of M in regard to the fixation of the basic price in regard to one in our agreement in place of Clauses IX & X at p. 3 of M.

P. 13/5/43 C. 14/5 R 1715

AHS

P. 17/5/43

191 circulated with LFI

[Issued as letter No 405 - SC/43-2 dt. 17.5.43 to India]

[From the Department of Supply Telegram SY/TX-62(106) D/8.9.43] Copy at p 15 c

No addl. U.S.

Please see copy of telegram at p 15 c. from India. Further communication may be awaited until 10.10.43

NDM 10/9/43

11/9/43 A. S.

P. 11/9/43

[From the Dept. of Supply No WII-54(62) D/20.9.43] p 17 c

[SY/TX-62(106) D/18.9.43] p 19-20 c

To Addl. US.

Please see the letter from India at p 1 c, and letters at pp 9-10 c and pp 19-20 c.

This Govt objected to the suggestion for

treating the expenditure on the preliminary training scheme for the staff as a revenue item for the reasons stated in pp 1-2 above/ in the letter dt 9.10.43. The question of remedy the ceiling price fixed for silk produced at the Govt Silk Filature factory was subsequently taken up with India and formal orders in that respect (agreeing to that proposal) are awaited. In their present letter, the Govt of India suggest agree that the entire expenditure on the training scheme being treated as revenue item, and (agree to it being) included under the working expenses in item (a) of Subpara (ix) on p 144 cf. of G.O. No 378-M Dev dated 3.10.42. As the silk is to be supplied to India at net cost, the Govt of Madras do not stand to lose by agreeing to the suggestion. The Govt of India have also adduced the additional reason at X on p 19 cf. in support of their suggestion. In the circumstances, this Govt may

(X) M

Item (ix) on p 144 cf (M)

we may agree. This will enable the price of silk cloth will entail no loss to us. 2/10/43.

A

Agree to the entire expenditure being included in the working expenses of the Govt Silk Filature factory and treated as an item of revenue expenditure, and modify the orders issued in para 4 of G.O. No 136 Dev dated 6.2.43 suitably

Sri may see the case for remarks before circulation.

2/10/43. S. Sin

4/10/43. Finance (Asst to FB)

(Previous finance note on page 7 above)

Please see the letter from the Govt of India on pp 19-20 cf.

The proposal at A above may be accepted

10-10-43

11.x.43

DW F.

cf. 9.10.43

ne 9.10.43

32101

SECRETARY TO GOVERNMENT
8 OCT 1943
FINANCE DEPARTMENT
ADJT. 4/10 Dev. G.O.4052 D/43-7
5-10-43.
4/10 OCT 19
3193 1
DEVELOPMENT DEPARTMENT
4 min 31 Dev 1
11-10-43

To Addl. U.S. [Notes from pp 8-10 above]

A draft order is submitted for approval. The orders embodies the suggestions made by India at pp 1 & 19-20 ante.

13.10.43

Order below may issue

14/10/43

[Issued as F.O(MS) No 2671 dated 20-10-43] p 21 ante